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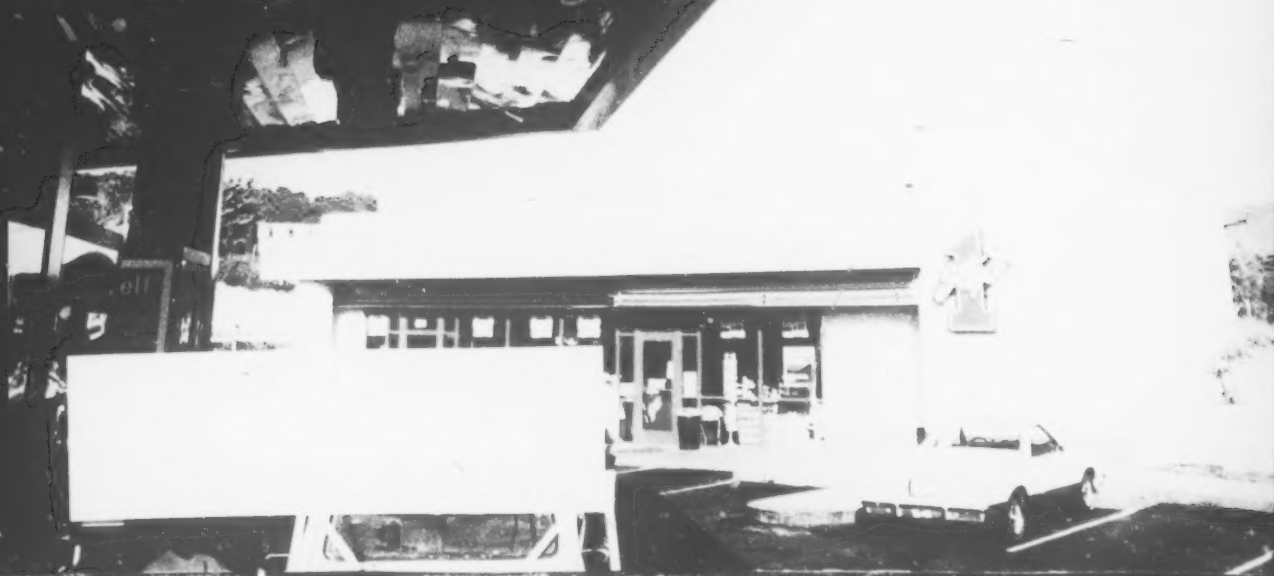
Jobber Develops Low-Cost Leak Detection System
Majors Reshape Memphis in Their Own Image
Dealer and ICA Challenge 'Free' Car Wash

NPN

National Petroleum News

EXXON

Station
Design
Tips



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Editor's Viewpoint

Is a "free" car wash legitimately free when it's offered 365 days a year? Full-serve car wash operators say no and oil companies who offer them at no charge with a fill up say yes. So who's right? If you interpret the Federal Trade Commission (FTC) guidelines literally, oil companies and others who offer free car washes daily violate the FTC law at least six months out of the year.

The FTC defines the frequency of offers as follows: "So that a 'Free' offer will be special and meaningful, a single size of a product or a single kind of service should not be advertised with a 'Free' offer in a trade area for more than six months in any 12-month period. At least 30 days should elapse before another such offer is promoted in the same trade area. No more than three such offers should be made in the same area in any 12-month period. In such period, the offerer's sales of the product in the size promoted with a 'Free' offer should not exceed 50% of the total volume of his sales of the product, in the same size, in the area."

So what does this mean? According to Bob Arnold, a Shell dealer who operates a self-serve gasoline/car wash facility in Metairie, La., free car washes represent an "illegal and unfair" competitive practice. Arnold has been so angry about his declining business that he filed a complaint with the Dallas regional office of the FTC. In addition, he has lodged a similar complaint with the attorney general's office of the state of Louisiana. To top it all off he has enlisted the support of the International Car Wash Assn. (ICA), which is launching an all-out war against free car washes. Arnold and the ICA contend that free car wash programs at many service stations violate the FTC's guidelines. In Arnold's complaint, he states, "The violations represent an illegal and unfair method of competition because the car wash is given free 365 days/yr. and the total of free washes make up at least 90% of the total cars washed."

To back up his complaint, Arnold found an obscure provision in a FTC document published 20 years ago. To read the complete details on this issue see page 18.

According to this dealer, the proliferation of free car washes has unfairly damaged his own business in recent years and he is entitled to some remuneration. Arnold's protest doesn't stop there. He has also petitioned the Louisiana Dept. of Revenue to clarify whether state sales taxes are due on free car washes. According to Arnold, the tax regulators have two options: collect back taxes from the free car wash operators or refund the taxes he has been paying. If this little tidbit is true, there are dozens of companies who could be paying a lot of taxes during the next few years.

A Shell dealer for 13 years, Arnold says he has nothing to lose in challenging his competitors' free car wash programs. "If they drive me out, I'll go out with a bang." He adds, "I never thought going broke would be so much fun."

Maybe the lesson here isn't necessarily be careful about violating obscure laws. Rather, suppliers should listen to their dealers and marketers a little more seriously.

—Peggy Smedley

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Louisiana marketer Bennie J. Evans Jr. used touch-tone telephone technology to come up with an innovative and inexpensive leak detection system.

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Heavy investment and fierce competition have transformed the Memphis market from a haven for independents into a stronghold for the majors.

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● TRENDS

For Fuel Oil Dealers, Fixed Price Deals are Hot Stuff

Guaranteed price deals seem to be catching on in the home-heating oil business. In a couple of years they may be considered one of the more significant marketing strategies of the '90s. Conceivably, it could halt the marketplace erosion that has been going on for years.

There was a lot of talk about guaranteed price deals at the Atlantic City meeting of the New Jersey Fuel Merchants Assn. (FMA) recently. (See story on p23.)

Most of it centered around the futures market and hedging strategies, however. The problem here is that a marketer can get killed in a hurry unless he or someone on the staff is a specialist in the futures market—and a lucky one at that. Even that's no guarantee.

As one veteran fuel oil marketer explains, "Don't forget there are always winners and losers in any and all dicey-type games. For just about every winner, there's a loser. It's just constant watch out, that's all." He notes that only recently Amerada Hess Corp.'s usually untalkative president, Leon Hess, concedes that his company had won more than \$200-million in futures market dabbling in the last quarter of 1990. Now, he adds, he has a staff of 12 or more executives playing the futures game for his company.

One of the companies that was discussed in Atlantic City was RegionOil of Dover, N.J. This company does play around with the futures market, but as a secondary, not a primary hedge.

Its prime advantage is that it has exceptional storage space, something like 4.5-million gal. In the summer, when few people really give a hoot about the winter months and the cost of keeping warm, RegionOil offers its customers a fixed price contract. Last winter, for example, the fixed price was 89¢/gal., less 2¢ discount. Last summer, distillate bottomed out around 82¢/gal. retail. In the winter months it rose as high as \$1.30/gal. Obviously fixed-price customers got a real bargain in their purchases.

The fixed price for the winter is based on summertime lows for distillates and a bit of in-house hedging on what things might be like come winter's cold, plus all that storage that's available.

RegionOil buys the fuel oil for its contract customers in July or August and simply stores it with its own fuels.

The point here is that the customer owns the oil and will pay, or will have already paid for it, long before wintertime's frigid blasts come along. This improves the cash flow at a time when most companies are in a holding pattern. Also, the fuel oil is liquid oil too, not the paper barrels that dominate the futures market play.

In September, or October, or whenever, RegionOil delivers the fuel oil to the customer's home. The only real requirement here is that drops must be at least 150 gal.

Customers can prebuy amounts such as 500 gal. or 1,000 gal. or whatever.

Once the contracted supply has been depleted, the customer is switched over to normal purchases and going marketplace prices. No matter what they are, high or low, the customer is pretty well locked in for the balance of the heating season.

Says one marketer: "I'd rather wind up the year with a satisfied customer than a scratchy one, especially if he had been scalded by cold weather price spikes. They're the ones who listen to the lullabies of the gas companies."

RegionOil has been using a guaranteed price plan for the past several years. It started off slowly but close to 20% of its 17,000 customers are participating now.

Among the others talked about in Atlantic City two months or so ago were J.W. Pierson Co.; East Orange, N.J.; Devine Brothers, Norwalk, Conn.; and Context Fuel, Sparta, N.J. Each had its own version of offering guaranteed prices to its customers. FMA can be counted on to provide either texts or summaries to interested fuel oil jobbers.

RegionOil's president is Otto Obermeier. An innovative chap, he has always been responsive to inquiries from other jobbers. Give him a try if the RegionOil concept sounds interesting.

—J. Richard Shaner

● MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
APRIL				
U.S. City Avg.	\$1.159	\$1.062	\$1.104	\$1.281
Regions				
Northeast	1.233	1.319	1.159	1.356
North Central	1.175	1.163	1.135	1.294
South	1.144	1.121	1.074	1.252
West	1.090	1.020	1.052	1.229

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	5/30/91	6/1/90
Gasoline (Total)	213,174	216,545
Gasoline (Unleaded)*	168,140	165,661
Jet Kerosine	40,725	42,153
Distillates	107,370	104,010
Residual	44,053	45,946

*Included in gasoline total.

Source: American Petroleum Institute.

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